

Marketing Margins and Marketing Costs



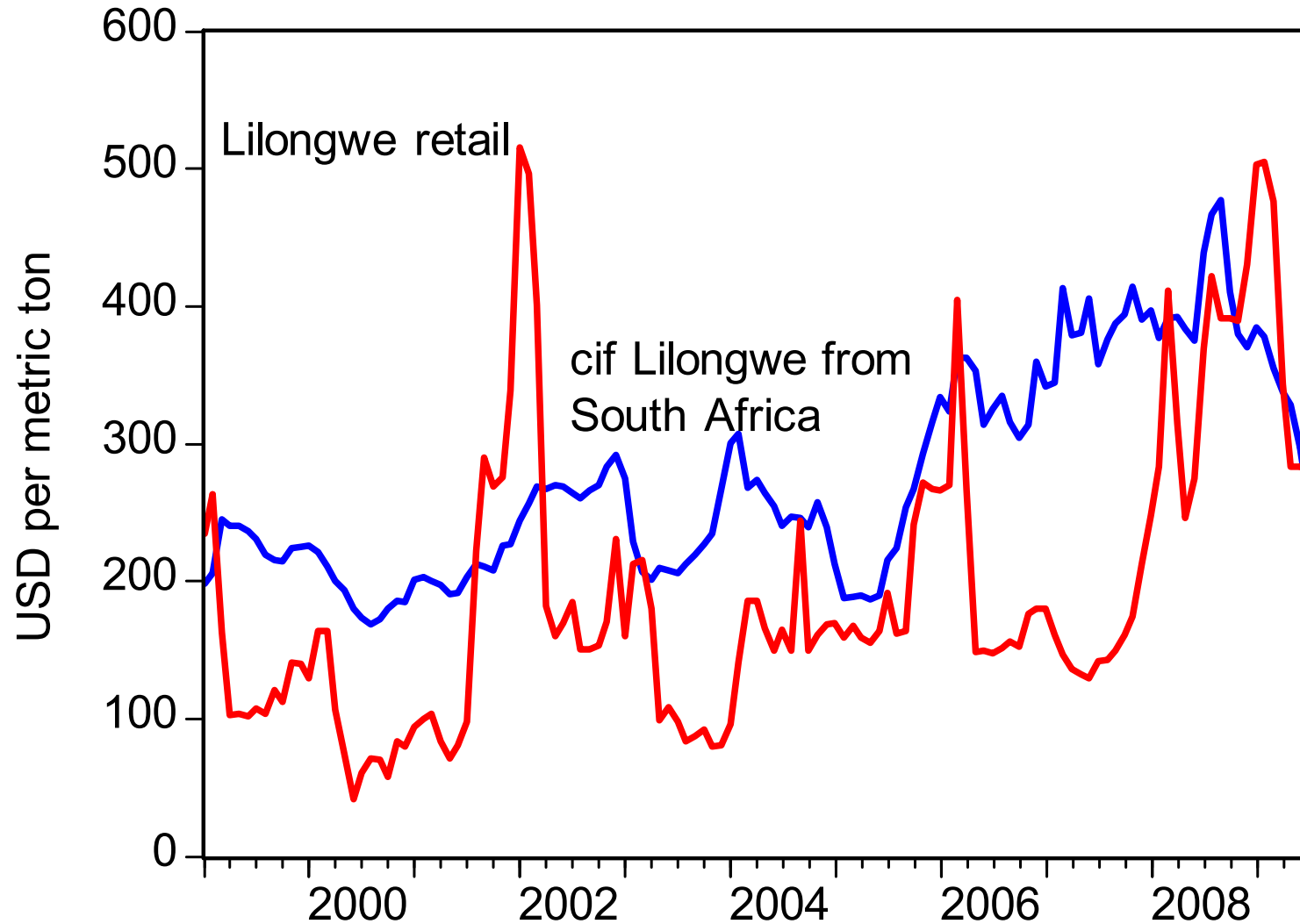
T.S. Jayne

African Agricultural Markets Programme Training Seminar

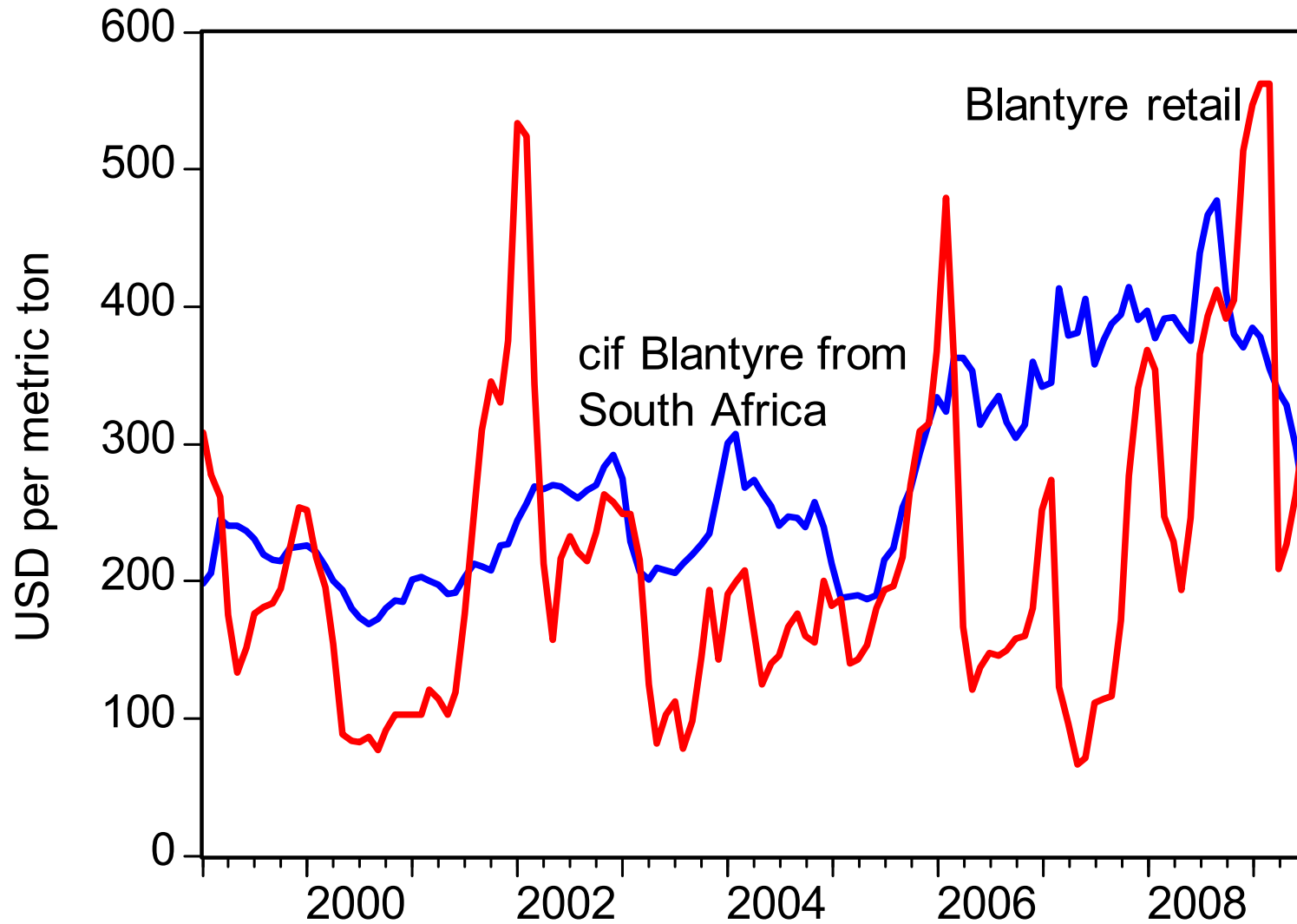
sponsored by COMESA

Maputo, Mozambique, January 28, 2010

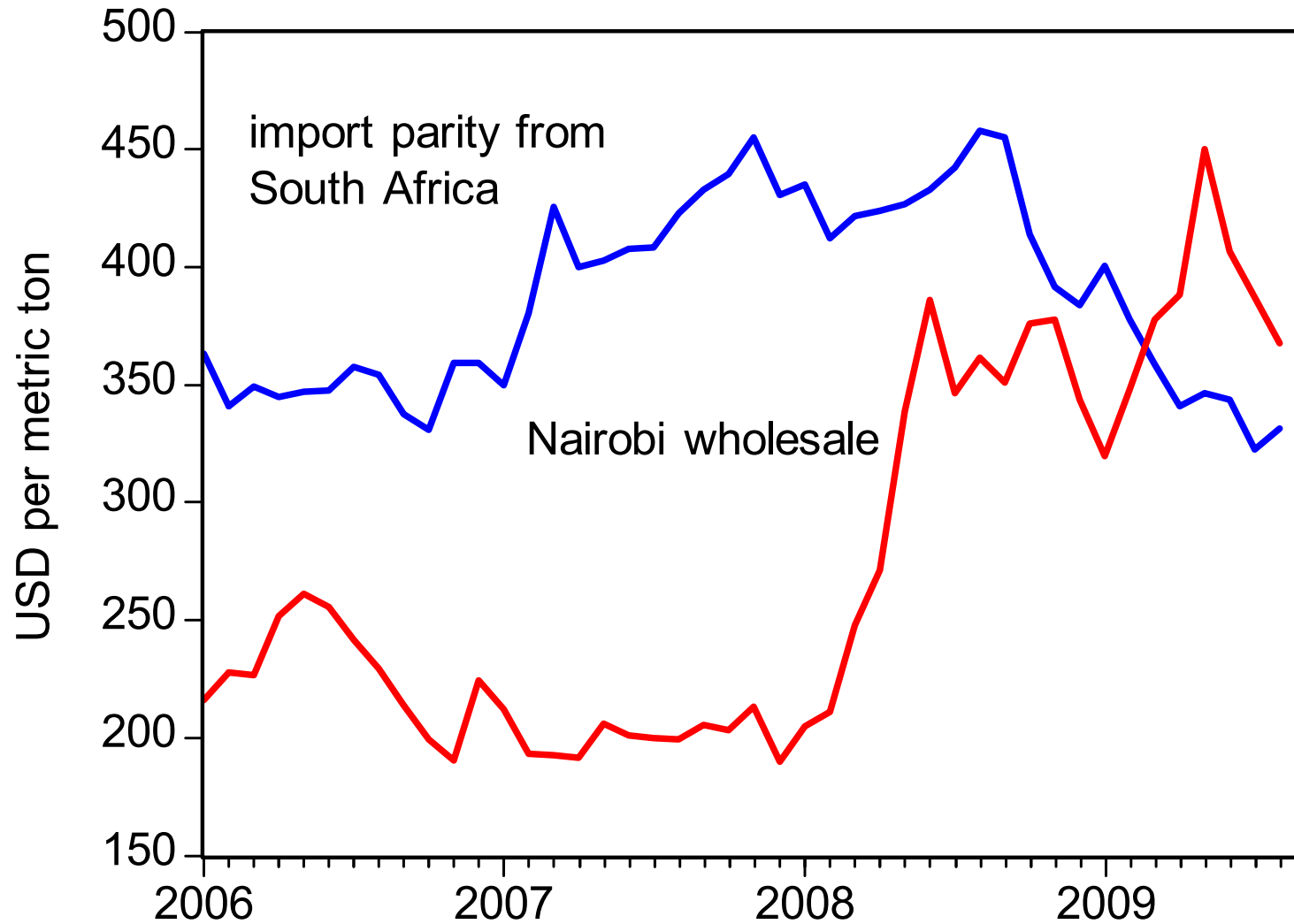
Maize prices vs import parity, Lilongwe, Malawi



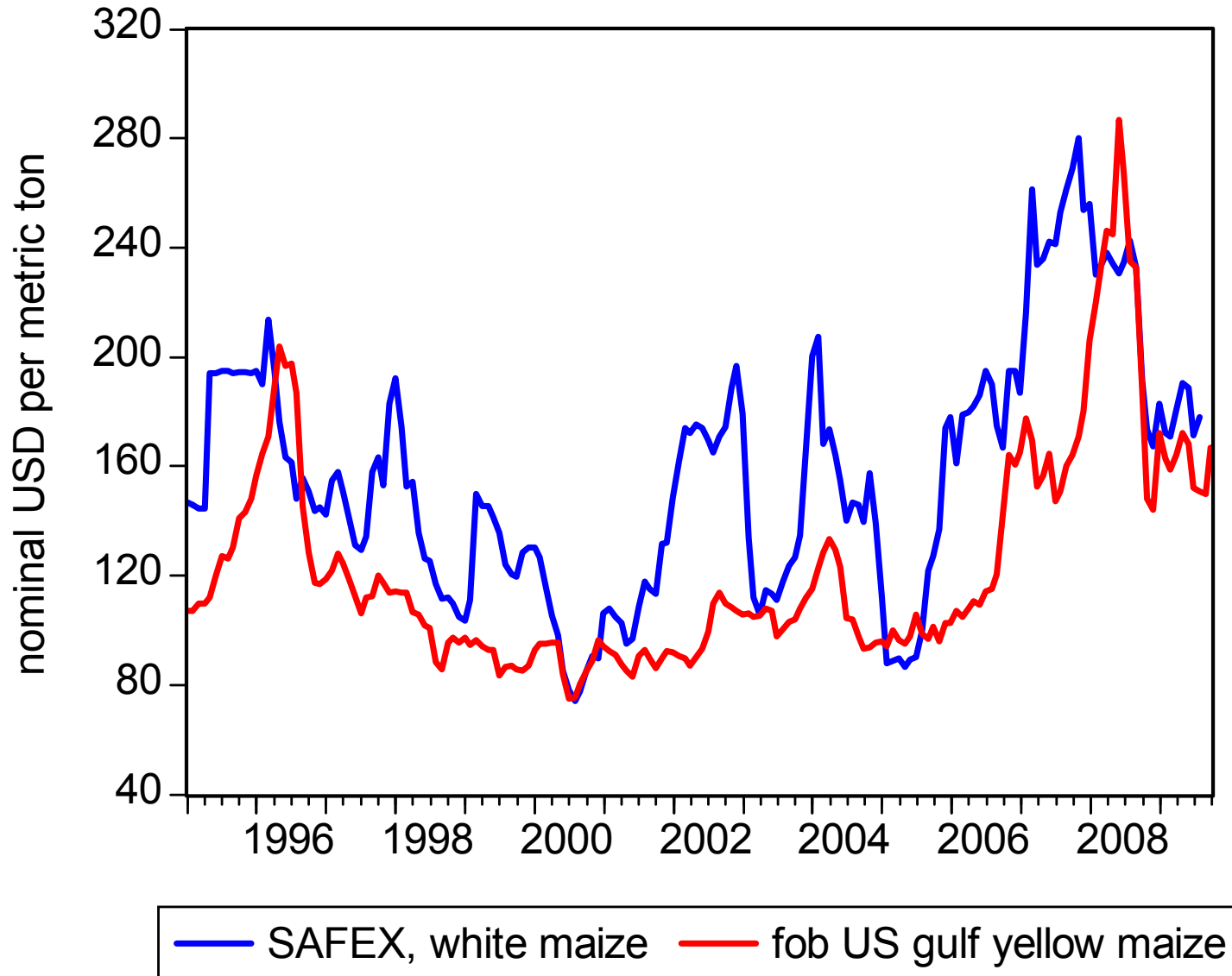
Maize prices vs. import parity, Blantyre, Malawi



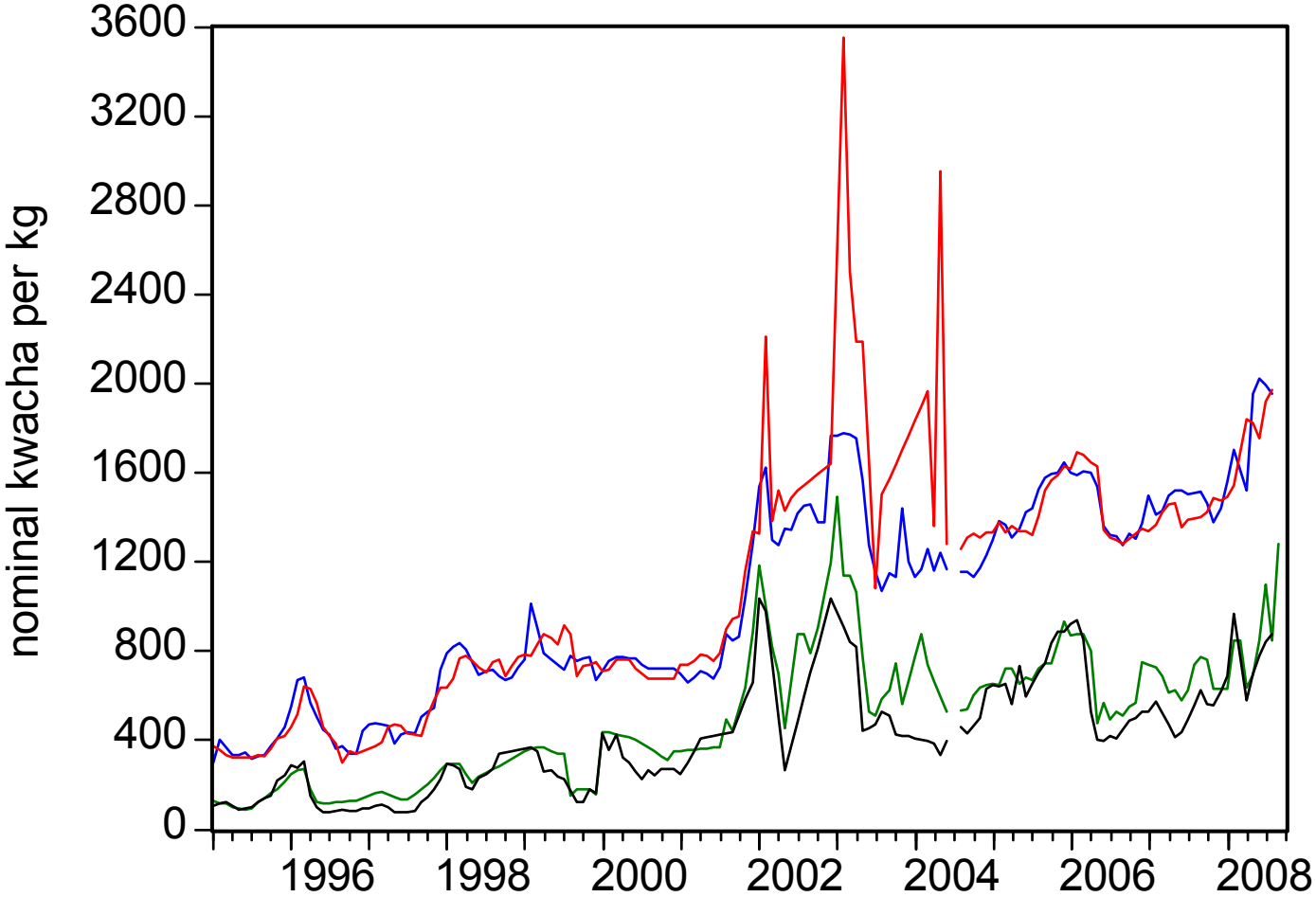
Maize prices vs. import parity, Nairobi, Kenya



Maize prices, SAFEX vs. US Gulf



Wholesale maize grain and maize meal prices, Zambia



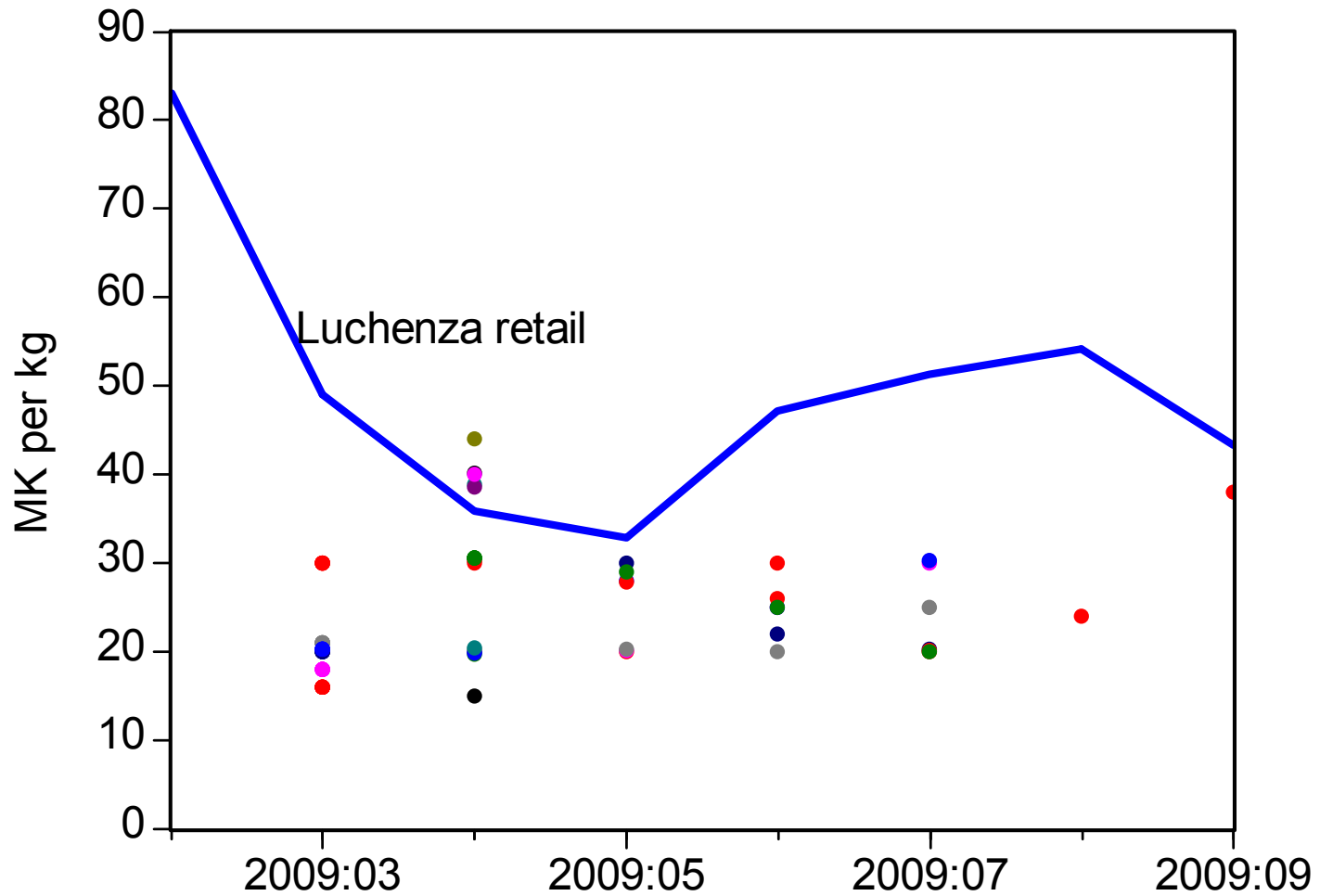
Motivation

- Why bother studying the relationship between food prices in one market and another?
- Why bother studying the relationship between food prices at one level (e.g, farm-gate) and food prices at another level (e.g., retail)?

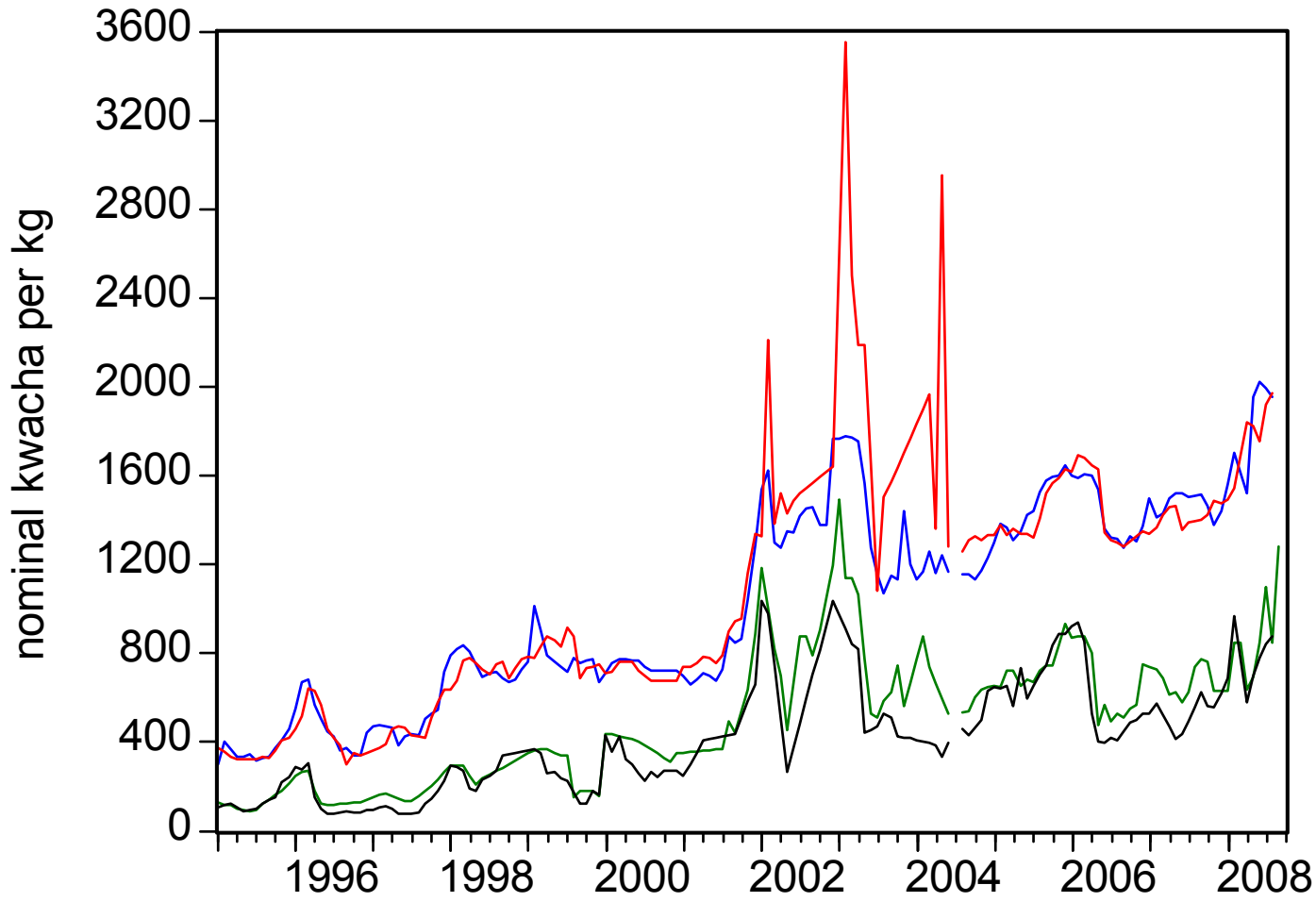
Definitions

- What are:
 - Spatial marketing margins
 - Spatial marketing costs
 - Vertical marketing margins
 - Vertical marketing costs

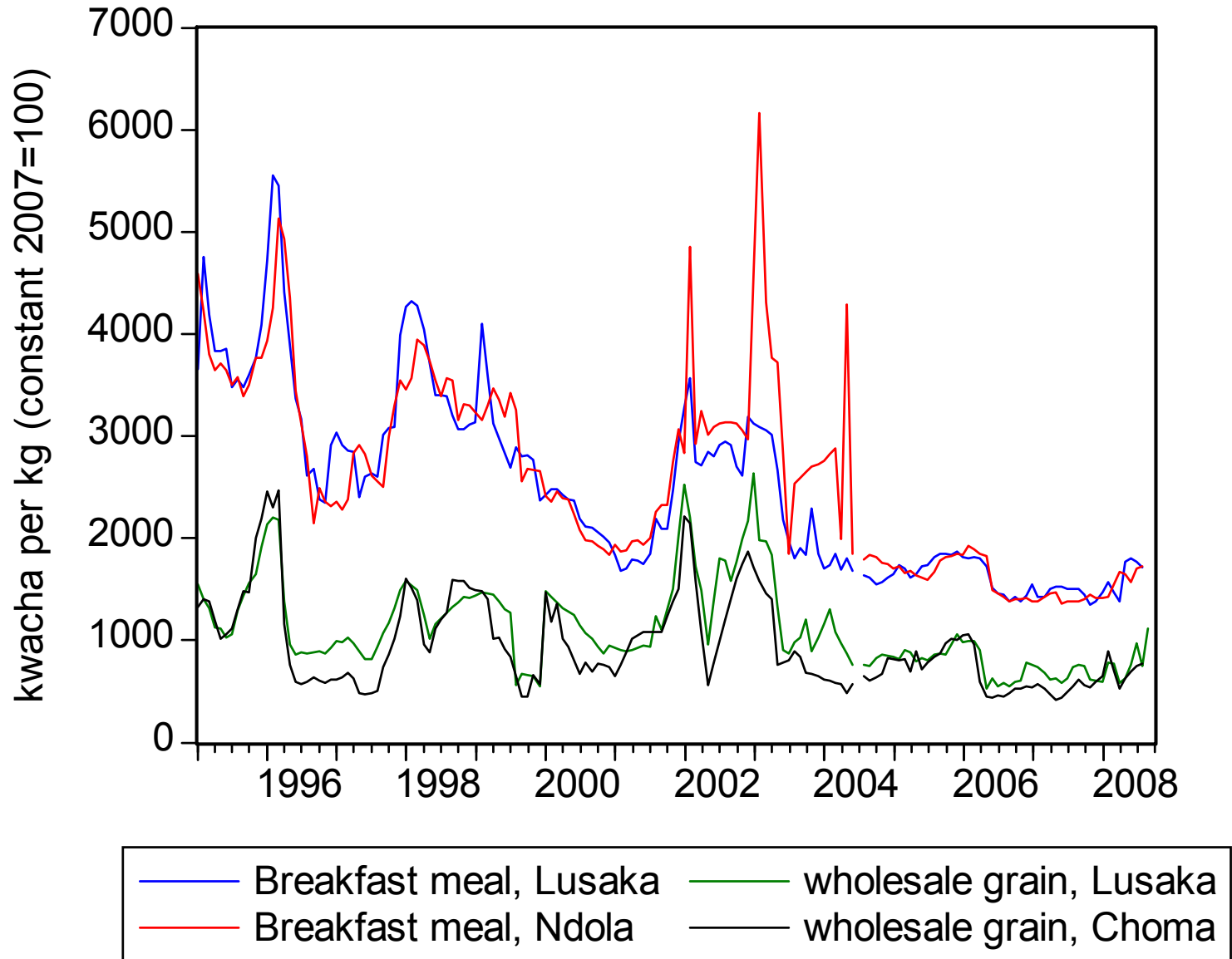
Luchenza retail price and farmer-reported prices received in remote villages in Mulanje District, 2009/10 marketing year



Wholesale maize grain and breakfast meal prices, Zambia



Wholesale maize grain and breakfast meal prices, Zambia



Determinants of marketing margins

- Spatial margins:

- 1

- 2

- 3

- Vertical margins:

- 1

- 2

- 3

Why might margins \neq costs?

- Spatial margins:

- 1

- 2

- 3

- Vertical margins:

- 1

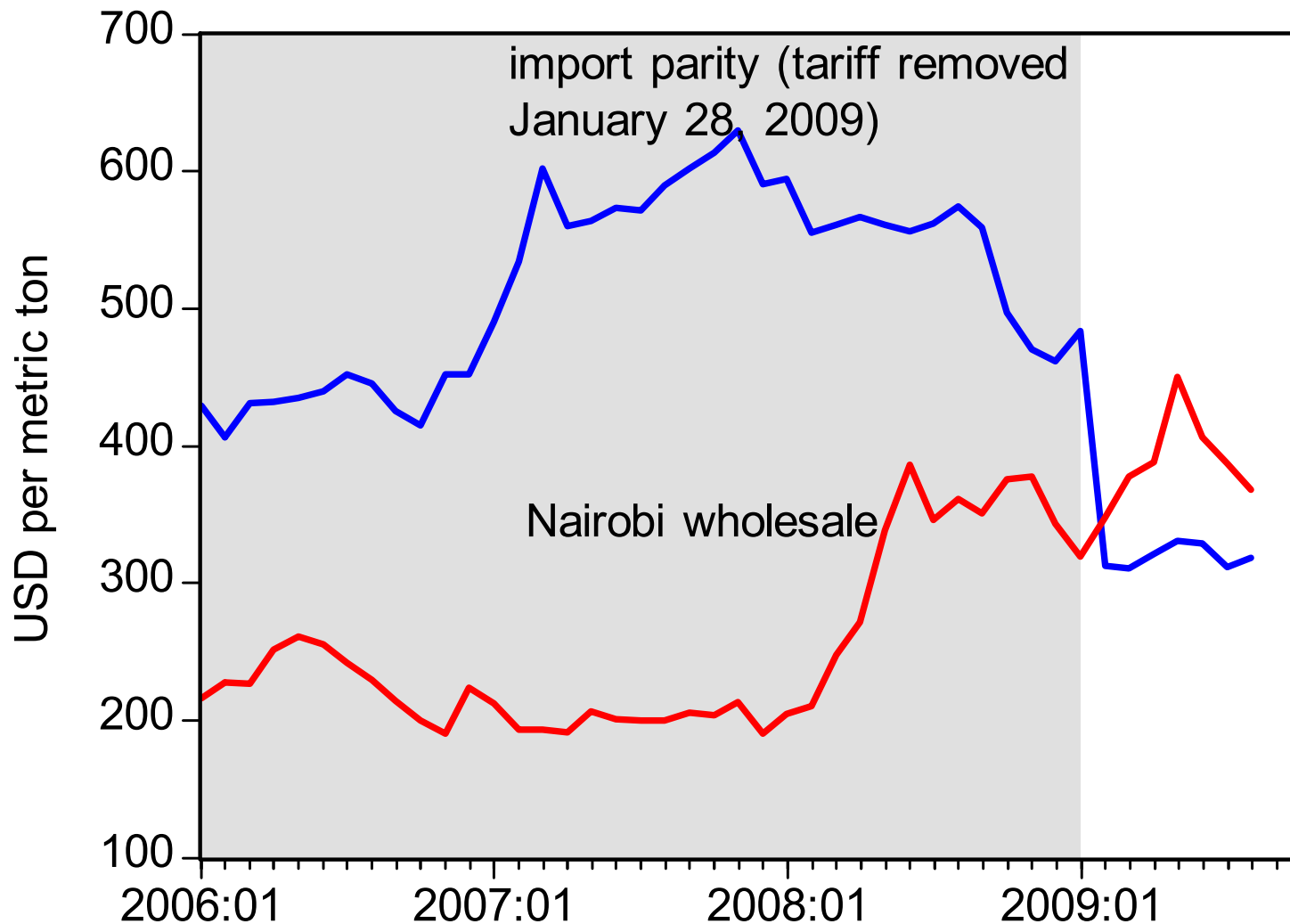
- 2

- 3

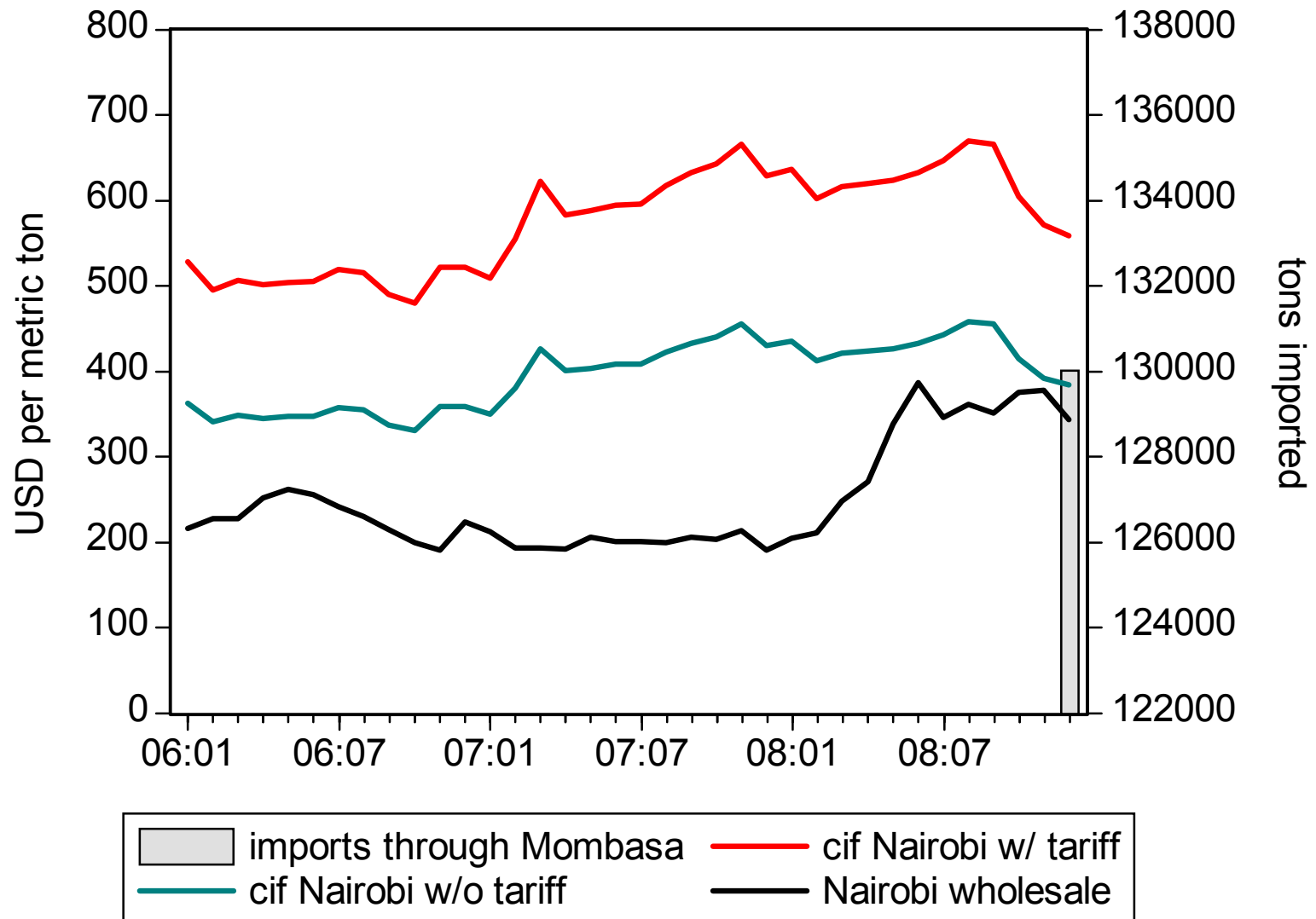
What does it mean if:

- Spatial margins $<$ transfer costs:
 - 1
 - 2
 - 3
- Spatial margins $>$ transfer costs
 - 1
 - 2
 - 3

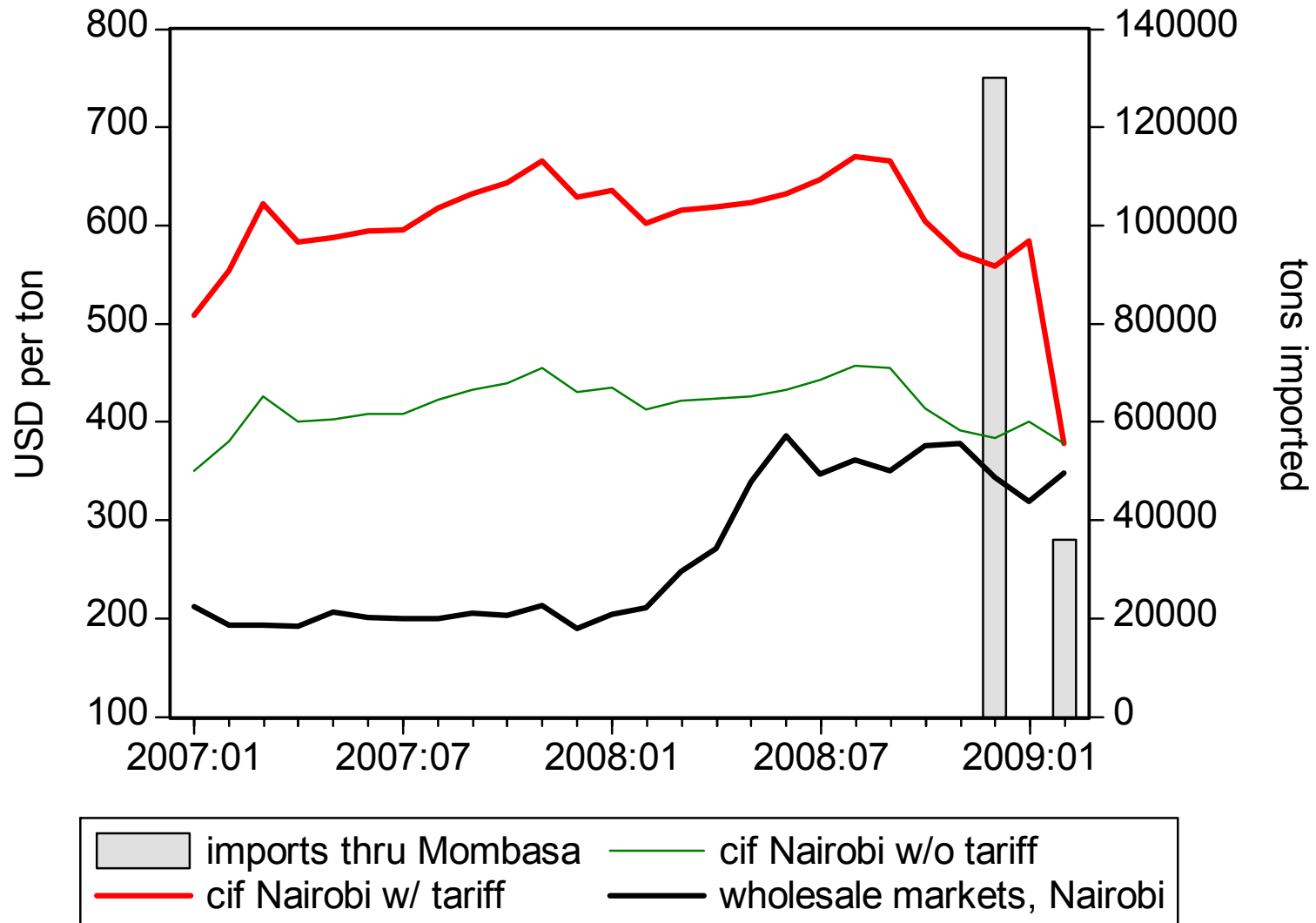
Maize prices vs import parity, Nairobi, Kenya



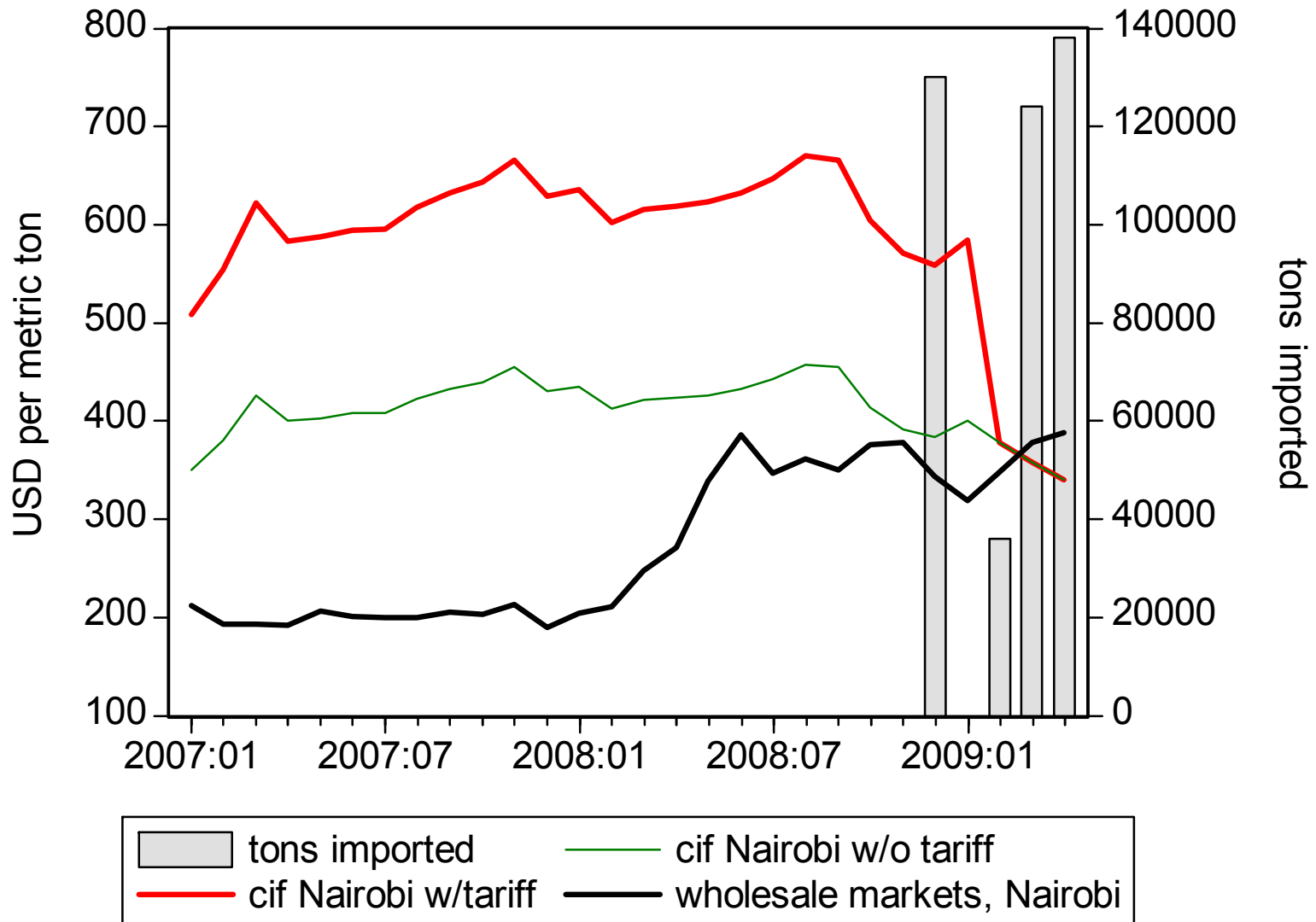
December 2008, Kenya



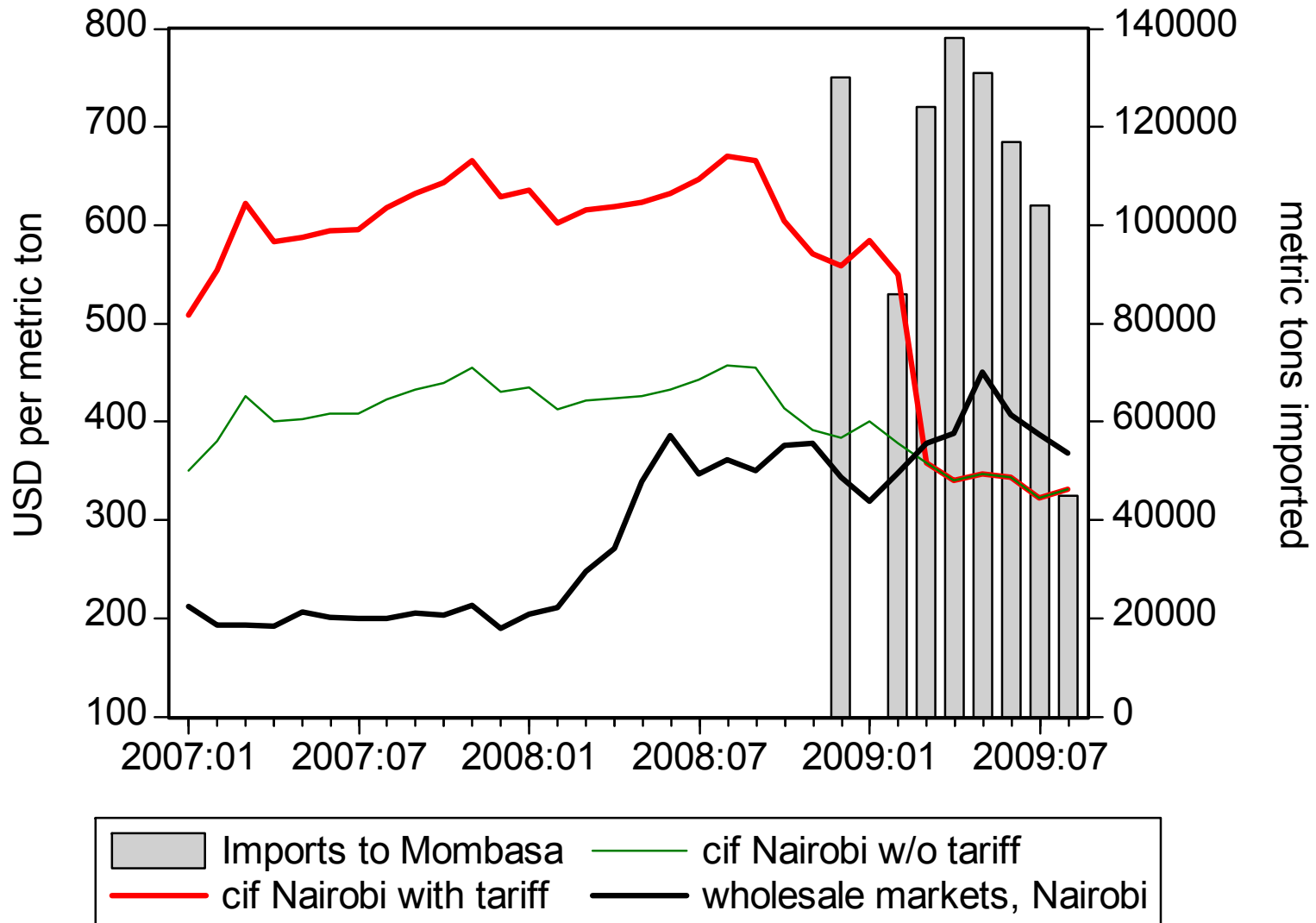
February 2009, Kenya – tariff removed



April 2009, Kenya



August 2009, Kenya



Exercise

1. Examine maize prices at
 - a. SAFEX
 - b. Blantyre Malawi
 - c. transfer costs between them
2. Compute the spatial price spread
3. Compute import parity prices at Blantyre
4. On the basis of spatial margins vs. transfer costs, predict the months in which you would expect to see imports occurring
5. Compare this with actual trade flows
6. Explain the reasons for what you see



thank you